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graphic arts monthly

THE MAGAZINE OF THE PRINTING INDUSTRY

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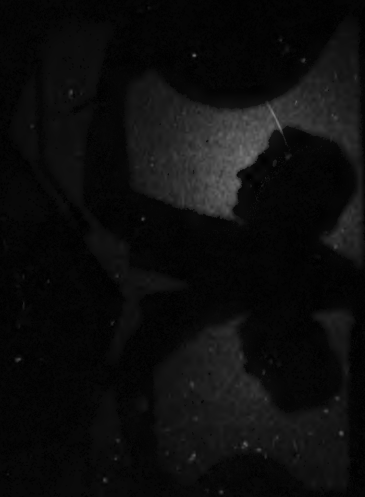

Paper Outlook 1992

Soaring Supply, Sagging Demand Create Price Benefits for Printers

Print Target Market: Health Care *Saddle Stitchers*

VOLUME 64, NUMBER 1

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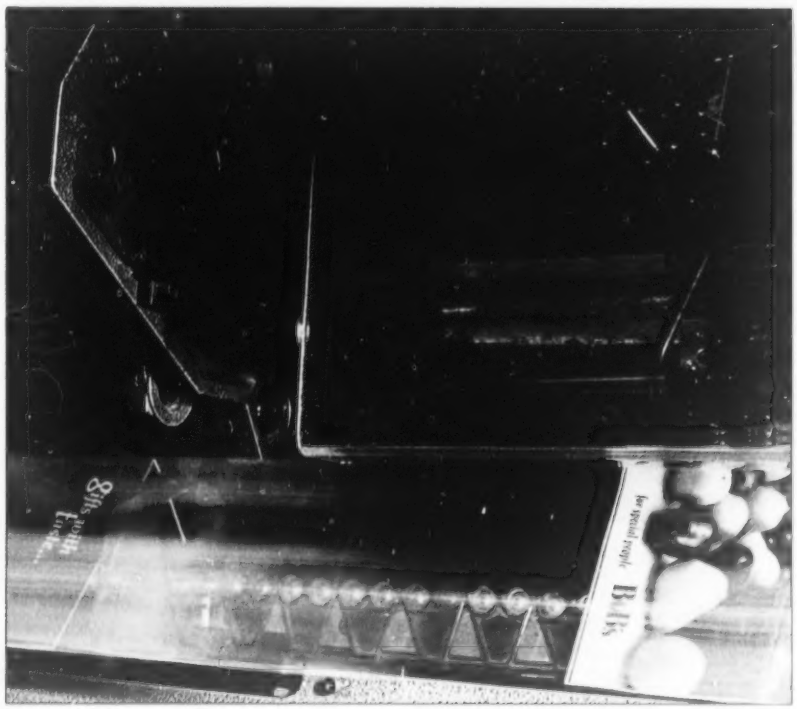

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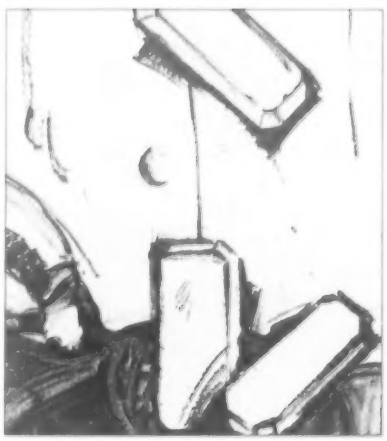

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Ronald C. Andriani

Editor Roger Ynostroza

Managing Editor Michael Karol

Associate Editors Earl Wilken, Lisa Cross

Assistant Editor Bridget Kinsella Arajs

Art Director Karen Lehrer

Production Editor Mick Andreano

Special Projects Manager
Peter Johnston (212) 932-3368

Project Editor Debora Clesh Toth

Midwest Editor
Bill Esler (312) 226-4641

Contributing Editors
Kenneth Garner, Dick Gorelick, George Griffin, Gerald Silver, Nancy Plowman, Theodore Lustig, Michael Ducey

Classified Advertising Manager
Kevin D. Thomas (212) 463-6843
Maureen Lewis, Assistant

Direct Marketing Manager
Richard Negri (212) 463-6827

Business Manager Jerry Arotsky

Contracts Jeffrey Rothstein

Production Manager
Daniel Coakley (212) 463-6545

Promotion Manager
Dorian Torregrossa

Research Manager
Angela Venturino Darchi

Publisher's Assistant Holly Hoffman

Sales Administrator Elisa Balsamo

Bulk Reprints Carol Bien
1-800-323-4958

Supplement Reprints Cathy Dionne
1-800-523-9654

Circulation Director
Ed Christ (303) 398-7609

Subscriptions/Back Issues
1-800-637-6089

249 W. 17th St., New York, NY 10011
Sales offices: (212) 463-6828
Editorial offices: (212) 463-6834
Facsimile: (212) 463-6733

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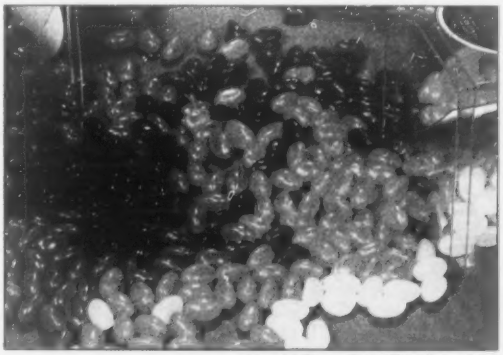

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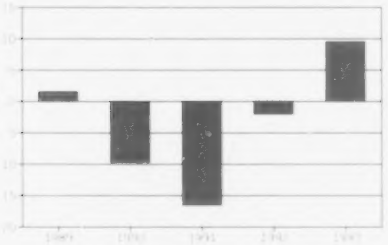
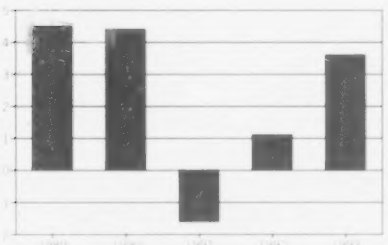
Worst Is Over For Print Machinery



Printing Machinery Shipments

The printing machinery market is struggling, along with the pervasive economic slowdown. Despite falling interest rates, printers have held back on their capital spending plans. Still, investment in equipment will be vital for survival in this industry in the next decade. In particular, technological change and environmental regulations will put added pressure on printers. Orders for printing machinery plunged in the first quarter of 1991. Machinery shipments dropped in the first quarter—9.4% below a year ago. Strong foreign demand for equipment should prevent shipments from falling much further. Exports stood at nearly $257 million in first-quarter 1991, slightly above year-ago levels. Unfortunately, imports also increased substantially, leaving an $89 million deficit in equipment trade. The recovery will be modest, with the growth rate becoming positive in the second half of 1992. Equipment shipments are slated for a 9.5% fall by the end of this year, to $2.39 billion. Growth rates are expected to reach 7.3% in 1992 and 8.6% in 1993.

Flat 1992 for Supply Shipments



Printing Supplies Shipments

Compared to last year, the index of graphic arts supplies shipments fell 1.7% in the first eight months of 1991. At this pace, supplies shipments are slated for a 1.7% drop by year-end—the first actual decline in a decade. Over the last five years, annual growth averaged 3.7% per year. The decline in 1991 will bring shipments to a total of $1.8 billion. The situation is bound to worsen before it improves. The international trade situation is mixed, with both imports and exports on the decline. Last year, imports of graphic arts supplies fell 2.9%, while exports dropped 4.1%, leaving a trade surplus of $95 million. Exports, which represent over 20% of total shipments, remain a very important market for domestic manufacturers. The outlook for growth of exported supplies is positive, but slow. Shipments of printing supplies should reach the slowest rate of growth early in 1992, and then slowly begin to recover. The upturn will be very modest, however. In 1992, shipments will post a slight 1.1% increase to total $1.82 billion. Growth of 3.6% is projected for 1993.

Industry employment has been declining for more than a year and currently stands at the year-end 1987 level. In fact, commercial printing wages are headed for the slowest annual gain since 1986. The industry's productivity index has reached record-high levels. Productivity measures the output produced by one hour of worker time. With the number of workers employed decreasing faster than production levels, productivity has soared. Following a substantial gain in 1991, productivity growth will slow over the next few years.

SUPPLY INDICATORS

				Annual Percent Change			
Employment (1)	**Sep 90**	**Aug 91**	**Sep 91**	**1990**	**1991**	**1992**	**1993**
Printing & publishing	1568.1	1526.5	1523.6	0.7	-2.3	-0.1	1.8
Commercial printing	550.1	536.1	535.8	1.1	-2.4	-0.3	2.0
Productivity (2)							
Printing & publishing	116.5	125.4	123.1	2.2	3.6	1.8	1.9
Average Hourly Earnings (3)							
Printing & publishing	11.41	11.56	11.67	3.4	2.3	2.7	3.0
Commercial printing	11.73	11.83	11.96	3.5	2.1	2.8	3.0
	Q3/90	**Q2/91**	**Q3/91**	**1990**	**1991**	**1992**	**1993**
Graphic Arts Machinery (4)							
New orders	114.6	106.7	112.1	13.7	-10.8	10.3	12
Shipments	137.7	121.6	108.2	-9.7	-16.5	-2.0	9.5
Graphic Arts Supplies (4)							
Shipments	151.6	154.1	149.4	1.4	-1.5	1.1	3.6

(1) Thousands of employees, U.S. Dept. of Labor. (2) Index 1967=100. Cahners Economics. (3) Dollars per hour, U.S. Dept. of Labor. (4) Index 1987=100. National Printing Equipment and Supplies Association.
All forecasts by Cahners Economics.

graphic arts monthly

Overcapacity Plagues Paper

Supply flood nearly complete in a weak economy; expect a balancing act until 1994.

It was a rough ride for producers of graphic arts papers in 1991. Coated paper production will end about 6% lower than 1990 (see Table 1), while capacity continues to grow double digits annually. A big drop in the summer, helped by an import halt, drove prices down. Manufacturers' marketing efforts have moved toward quality, recycled-content options, and vulnerable niches like sheetfed offset, where imports once flourished.

Printers take note: prices reflect a buyers' market, with reportedly heavy discounting through 1991 and a falling producer price index. Premium coated grades seem to be taking the greatest price dives. Lightweight prices are sliding more cautiously, though steadily. Uncoated freesheet prices dropped sharply at the beginning of the year and recovered forcibly later, with flat demand and a 10% rise in capacity.

Pillars of the paper industry, coated and uncoated freesheet, rocketed 2.6 million tons in the lead-off innings of the 1990s. Unfortunately, the consumption growth rate of the previous decade disappeared and exports, no matter how hard the dollar fell, could not pick up the slack. Consolidated Papers' new PM16 machine is the last new capacity in either segment for two years and possibly three, with some incremental adjustment at existing sites.

Lightweight coated (LWC) should tighten and firm for the next two years, with no new machines and a withdrawal of imports. Supply will remain nearly constant over the near term, while demand should bounce back in second- or third-quarter 1992.

Canadian production is off 10% this year and exports to the U.S. have declined 17%. No new capacity has been announced and some domestic producers are teetering on the brink. And a weak dollar negates any premium that might be worth developing. The Canadian industry forecasts are bleak.

The dollar looks like it will retain its currency float between 1.5-1.80 German marks and 115-130 yen, so imports are not likely to challenge.

The U.S. case against four European producers, including several Finnish producers, is a wild card, but a mild one. If the charges stick and the duties are imposed, domestic producers will be inclined to raise prices and hedge off the specific duty (20% to 40%).

With no markets in the U.S.S.R. and a pullback in Europe, some Finnish producers and other Europeans with a stake here will fight and continue to lose. Meanwhile, U.S.

Tom Tracy

Producers of graphic arts papers had a tough year.

By Michael J. Ducey
Publisher of Pulp Industry Advocates, a San Francisco-based industry newsletter.

exports jumped a quarter over 1990 and growth, helped by the weak dollar, is possible.

The demand began to fall off late in 1990, and the falloff steeper in the summer. A small blip occurred for the lightweights as a result of the antidumping ruling, leading to a summer firmness that has since been lost. The heavyweights experienced some order pickup late in the fourth quarter, mostly because of import substitution and product introductions of recycled papers.

The events of 1992, namely the Presidential election and the Olympic Games, have traditionally inspired coated paper consumption, sometimes double and even triple the rate of gross national product. Most producers will settle for any increase in 1992.

The Olympic Games (Georgia-Pacific was recently named an official sponsor) take place in Europe, where overcapacity of coated paper exists and a recent demand sag in supercalendered (SC) markets was registered. European suppliers, already alerted by fantastic advertising growth in Spain (host of the Summer Games) and faced with softening home markets, are well entrenched to capture local consumption growth.

The Presidential election is also not as bright a picture as it might have been. Four years ago, the opposition party had a war chest twice as big as it is today, and the incumbent party had even more. This year, contributors to the opposition party's campaigns have held back, perhaps anticipating more candidate announcements. The incumbent is taking a very low profile, with a leaner and more localized effort.

Electronic media will probably receive the bulk of the $100 million that is currently available. If the race heats up, local interest improves, and contributors start writing checks, then the budget could double rather easily and print media could snatch up a greater percentage.

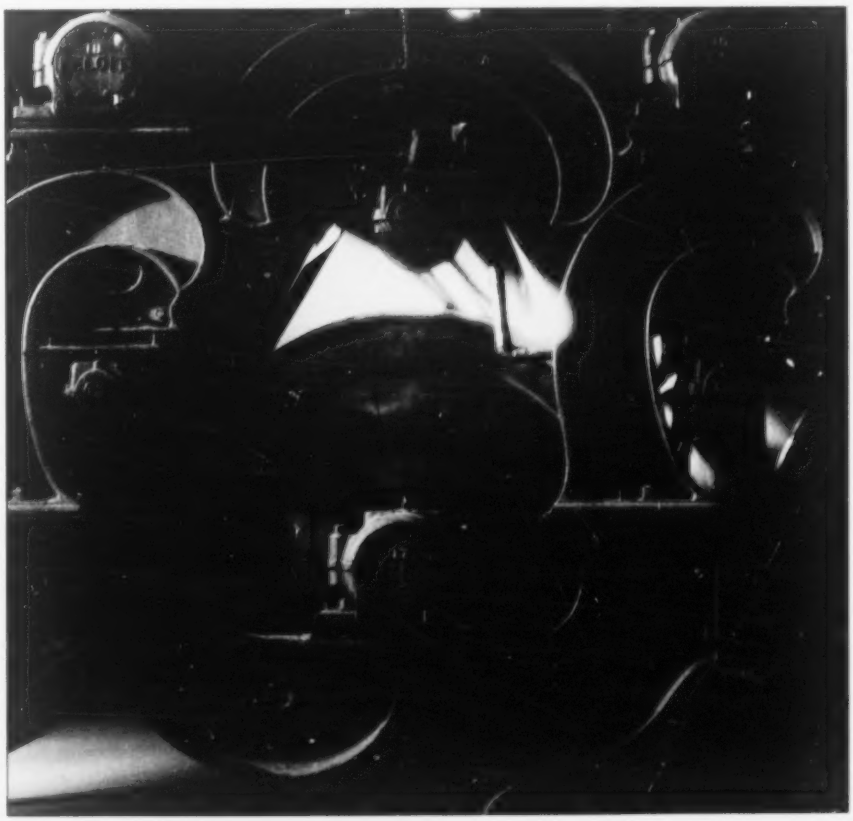
The forecast for domestic prices is not too hard to see. Upward pressure on coated grades may occur in the second quarter, if the Olympics and election spending commence, and seasonal factors are not too severe. Prices are near or at rock bottom, so downward movement is not probable.

One source noted that a survey of consumption in the years following a coated paper decline showed that growth was realized at a low of 6.5% and a high of 18%. He's shooting right in between, meaning increases, relieving capacity and raising prices along a parallel.

With paper machines now running at less than 90% operating rates, most mills have taken several opportunities to test new product manufacture and market acceptance. New products for commercial printers are targeted to two specific niches: sheetfed offset and recycled-content grades. Because of the higher margins and economies of scale of web offset, domestic producers, via their merchants and distributors, flocked to that market through the 1980s. New machines were built to serve this fast growing segment.

In sheetfed markets, limited available capacity left the door open for offshore producers. Exporters, many producing with smaller machines and targeting small, localized printing houses in Europe, increased their efforts in the U.S. As demand fell off in the web offset markets, U.S. producers, almost completely out of

Heated drums of paper machine dryer section belie the cooled-down operating rates in many mills today.



Newsprint Paper

the sheetfed market, reentered one by one. Now the field is quite crowded.

Some producers are making sheetfed grades with machines that were designed for web grade production, using new or excess sheeting capacity in target areas.

Mead is a recent example of a producer exploiting this trend. Its entrance into the "economy" grades—sheetfed coated stock with rich gloss and low 80s brightness—is attacking imports utilized by printing houses with shorter and more localized runs. The company's Chilpaco mill has been de-bottlenecked, and 30,000 tons per year (tpy) of new capacity will be brought up over the next few years to serve this market (a 60% production increase).

Lots of new grades were introduced that meet the EPA's so-called 50/10 standards, i.e., 50% preconsumer waste and 10% postconsumer waste. Grades across the basis weight spectrum, from annual report stock to uncoated business forms, have been successfully sold in most markets, even though they fetch a higher price. Consumption growth and grade proliferation is likely throughout the decade.

Most grades are so new that it is difficult to characterize the full market response, but both paper makers and printers are not as excited as marketers and salespeople about the furnish switch. For 50% preconsumer waste products, it is difficult to distinguish between virgin and secondary fiber grades. Indeed, manufacturers have had to offer duller, off-white brightness papers to help promote the concept.

The introduction of postconsumer waste is even slower and more loathsome in the machine rooms, since the immaturity of the product and its producers cause worry to conservative paper production and pressroom managers. Regardless, the products containing postconsumer waste are charging hard, and now producers of even the most high-quality enamel grade must have this alternative in their arsenal.

About two million tons of deinked pulp capacity came on in 1990-91, and half a million more tons have been announced. Another 250,000 tpy of recycled printing and writing papers are scheduled. Papermakers know that recycled content is an issue for the foreseeable future; each is addressing it to secure future markets.

In the uncoated freesheet markets, Boise Cascade introduced a cut-size xerographic sheet called *Aspen*, and plans to launch an offset grade soon, both containing waste fibers. Both have demonstrated higher smoothness resulting from the fines and smaller fibers forming in the sheet, and they have been accepted by both public and corporate customers.

Boise's Vancouver, Wash., mill has been switched back to recycled production from carbonless copy, which was being made prior to the attempted sale of the mill to Appleton Papers. After the deal was nixed by the

U.S. Paper Consumption

Newsprint and Printing & Writing Consumption, 1989-1991 (000 tons)
1991 data and % change are annualized year-to-date, as of the end of the third quarter 1991.

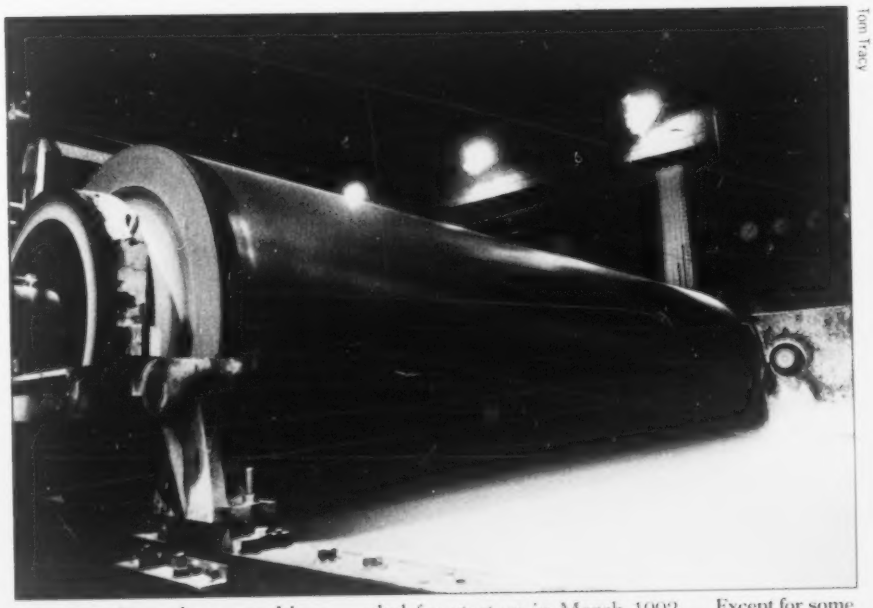
Shipments of	**1989**	**1990**	**1991**	**% Change**
Newsprint	6,079	6,621	6,679	+ 1.6
Printing & Writing	21,626	22,371	22,003	- 1.5
Uncoated Groundwood	1,743	1,806	1,772	- 0.2
Coated Groundwood	4,059	4,233	4,049	- 3.4
Coated Freesheet	3,157	3,303	3,215	- 3.2
Uncoated Freesheet	11,081	11,503	11,491	0.0

Imports of	**1990**	**1991**	**% Change**
Newsprint	8,299	7,642	-11.1
Printing & Writing	3,104	2,848	- 6.4
Uncoated Groundwood	1,337	1,318	- 1.0
Coated Printing & Impregnated Papers	936	802	-15.8
Uncoated Freesheet	752	637	- 9.5

Exports of	**1990**	**1991**	**% Change**
Newsprint	535	693	+35.6
Printing & Writing	664	928	+37.7
Uncoated Groundwood	75	123	+69.5
Clay Coated Paper	218	268	+19.6
Uncoated Freesheet	232	354	+51.5

Consumption of	**1990**	**1991**	**% Change**
Newsprint	14,385	13,628	- 5.0
Printing & Writing	25,411	23,923	- 6.0
Uncoated Groundwood	2,868	2,967	+ 3.0
Coated Paper	8,254	7,798	- 6.0
Uncoated Freesheet	12,023	11,774	- 2.0

SOURCE: American Paper Institute, New York, NY



Except for some recycled grades, production levels in the paper industry were generally down in the past year.

Tom Tracy

Federal Trade Commission, Boise resumed recycled production at favorable cost, given the proximity to wastepaper sources and consumers.

Computer printout (CPO) is a primary furnish component, rather easy to deink and run on the machines with good formation. The brightness of these grades is purposely lower, about 81, in an attempt to illustrate the real value in recycled stock, while offering the producer better production economics.

Boise's Coated Division is market testing a 60 lb recycled paper inside its *Dependaweb* line, which was widened in the #4 range to include 40 lb and 43 lb weights, in a response to postal rate increases.

International Paper's *Springhill* line added *Incentive DP*, a dual-purpose sheet in the office products sector. The sheet contains 40% preconsumer and 10% postconsumer, has an 83 brightness and is acid-free. Springhill also offers 50/10 *Incentive Offset* in 50 lb and 60 lb weights. IP's Hammermill Papers released 50/10 grades in its *Opaque* series for 50 lb and 60 lb sheets, and text and cover varieties. Hammermill is also getting into less-expensive grade structures with its new *Regalia* line of text, cover, and writing papers.

Naturally, competition between recycled sheets is hot, as many producers have entered the business forms and xerographic paper markets with varying pre- and postconsumer contents over the past two years. The 50/10 grade is most common and has been selling well in retail outlets. Interestingly, eyebrows are being raised when a purchase of recycled xerographic paper at a premium is made at a corporation that supposedly is on a cost-cutting binge.

With the one million new tons of uncoated freesheet available this year from three machines, the discounting had been heavy up until fourth quarter 1991, when a forced price increase was announced and held. The cost differential for uncoated freesheet grades is significant, perhaps 10% or more. As one source noted, "They [customers] are not all putting their money where their mouths are."

The market is fairly balanced and the supply is still limited. The real demand boom is likely after some settlement of the recycled content definition is reached and the economy gets back on track.

The coated papers segment is also heavily involved with recycled. James River introduced its *Echo* line, a 50/10 coated groundwood with high gloss. Its *Retrieve* line, also 50/10, has filled out to include text, cover, writing, and label stocks. It has even crossed over into the *King James* cast-coated line with two new products.

The *Graphika!* board line has expanded with a "100" product, i.e., 100% wastepaper, based on 60% postconsumer content. James River recently responded to an interest on the West Coast for a recycled-based, unbleached envelope stock, and now sells a 50/10, 24-lb product.

The company is supporting all this activity with a new, 300 tpd (tons per day) deinked pulp line at the mill in Halsey, Ore., scheduled for start-up in March 1992. The new line will allow further product development and expansion of recycled papers at the Camas and Wauna divisions.

P.H. Glatfelter has moved aggressively in recycled. Its Neenah mill is said to be the largest printing and writing production facility for recycled-based grades in North America. The deinked pulp line and machines can produce both uncoated grades or base stock for the coating machine at Spring Grove, Pa.

The company is continuously working on its Environmentally Pure Acid-free, or EPA, line to include 50/10 and larger fractions of both preconsumer and postconsumer waste. The mills ship almost all custom orders and carry very little stock. The specialized production, highlighted by a versatile coater, gives P.H. Glatfelter an early edge in serving these orders among and away from its traditional book publishing markets.

Neenah Papers re-introduced products in its *Environment* line, 100% recycled papers with 15% postconsumer waste. In 1990, laid and woven finishes were introduced, and in 1991 a linen and five new colors were released. Neenah built its own stock of these papers and slowly integrated them into merchant stocks to gauge the marketplace and work closely with merchants and distributors.

Now the merchants are said to

be well stocked with Neenah's new recycled papers, including an addition to its well-known *Classic* line, a laid grade containing 15% postconsumer waste, in four colors. The recycled papers have had the fastest growth of any introductions in the company's history, needing only a little more than a year to obtain merchant stocking.

Now completing the line with the three finishes and variety of colors, Neenah hopes to offer its graphic design and quick-customers the opportunity to selected recycled papers alongside their virgin paper purchases.

Potlatch and Consolidated Papers, traditionally premium coated paper producers of high regard, are also hopping on the recycled bandwagon, although more cautiously. Potlatch expanded its market-recognized *Quintessence Remarque* premium coated grades to meet the EPA 50% preconsumer waste standard, and is developing postconsumer waste furnishes which could be ready later this year.

Sheetfed offset markets are set for recapture. *Reflections* added a 90-lb web offset, and new *Centura* and *Consoweb* cover stocks were initiated.

The industry structure has not changed much since the big mergers of the mid-1980s. However, Georgia-Pacific finally made its move with the former Great Northern Nekoosa mills in Maine by selling an 80% interest to Bowater for $300 million cash. The deal includes the two mills (1,125 tpd of coated and uncoated groundwood, 1,000 tpd of newsprint), 2.1 million acres of timberland and a lumber works, and a hydroelectric station.

The grade structure fits snugly with Bowater's own product line and market strategy. Bowater makes newsprint and LWC from southern pine, and has good coverage in the South and Midwest markets. Great Northern makes newsprint and a variety of coated grades from northern spruce, and has strong presence in the Northeast markets.

Bowater also produces market pulp and with Great Northern, a consumer, has reduced its exposure in these markets. For Georgia-Pacific, the deal represents a much-needed cash infusion to pay off debt incurred by its $3.8 billion merger; it retains a 20% stake and has an option to sell the rest to Bowater at the end of the second quarter of 1992.

Georgia-Pacific recently started up an uncoated freesheet machine at the Great Northern Ashdown mill. Bowater may announce an LWC expansion for its new Maine mills next year.

In other business notes, Willamette bought Penntech Papers and started up an uncoated freesheet at Bennettesville, S.C.; Sealed Air bought Georgia-Pacific's Hopper mill in Reading, Pa.; and Fox River completed its purchase of the Howard Paper Mills.

Also, Union Camp started up an uncoated freesheet machine at its mill in Eastover, S.C.; Abitibi-Price shut Provincial Papers and Georgetown, Ont., mills; and two uncoated freesheet machines, in Mexico and in Brazil, reached design production and each has begun exploring sales in North American markets.

Thus, it was by no means an idle year in the paper industry; still, paper producers and users look forward to a more balanced year in 1992. ▤

THE INDUSTRY STRUCTURE HAS NOT CHANGED MUCH SINCE THE BIG MERGERS OF THE MID-NINETEEN-EIGHTIES.

The annual report and corporate promotional materials customers are indicating stronger interest in these grades to keep the corporate image up with the times. Shipments require a price premium since production cost (both in dollars and experience) rises as more furnish accommodations for secondary fiber are made.

Potlatch has also expanded its *Vintage* line with a Velvet Creme web and sheet offset enamel grade, where it believes its position is rather unique, and the

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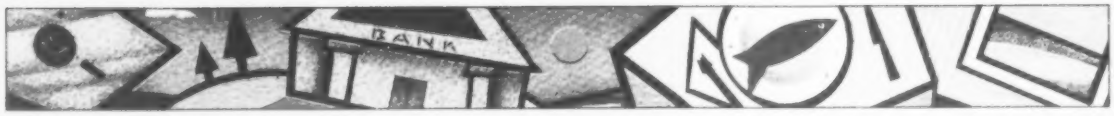


graphic arts monthly

Health Care Heats Up

This article begins a new series for *Graphic Arts Monthly*–Print Target Markets–designed to be particularly helpful to our single largest constituent group of readers, small and medium-size general commercial printers.

In this series the focus is on other industries: major purchasers of commercial printing. Each installment will deal with a single industry (or related group of industries), giving details on its size, the types of printing it consumes, its structure, the geographic distribution of its sites, and its historic and projected growth. It is our hope that this information will assist printers in evaluating centers of economic activity in their own area as possible targets for marketing their printing services.

We begin the series with the health care industry.

Data for most of the industries in this series will include specific revenue projections for the next four years. Health care, however, is measured by the Department of Commerce not in terms of gross revenues and profitability, but in terms of total expenditures. It is approached, in other words, not as an industry but as an overhead item; the question is not how much money it is making, but how much money it is *costing* us. By the same token, rather than the exact to-a-fraction-of-a-percent forecasts it gives for other industries, Commerce notes only that health care expenditures will probably increase 12% to 15% per year between now and 1995.

> This series looks at industries that are major commercial printing purchasers.

We note that health care is a money-making venture like other industries; in some cases, a highly profitable one. We note also that medical costs, medical profitability (especially in the case of pharmaceuticals), medical insurance, health care industry practice, and national policy with regard to all of these are being passionately debated as we go to press. It seems certain health care will continue to be a major customer for the printing industry.

Each of these double-gatefold forms also contains news on the fortunes of the commercial printing industry in one geographic region. Subject of this month's Regional Update: the South Atlantic.

Bulk reprints of this installation of Print Target Markets may be ordered directly from Carol Bien, Cahners Publishing Company, Reprint Department, 1350 E. Touhy Ave., Des Plaines, Ill. 60018; single- copy reprints from Cathy Dionne, at the same address.

Annie Gusman

By Peter Johnston
Special Projects Manager

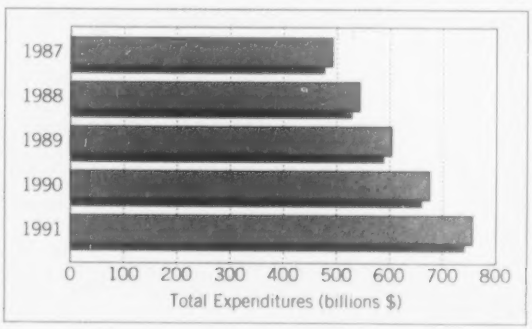
Health Care at a Glance

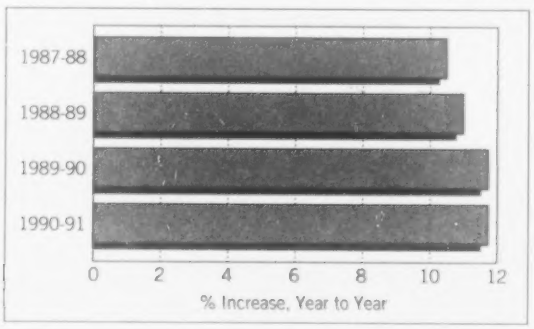
With over seven million employees, health care is the fourth-largest industry in the U.S. (measured by employment). Service industries tend to be much larger than manufacturing industries; printing, for instance, though one of the larger manufacturing industries in the nation, employs fewer than one million. Health care is the fifth-largest printing customer to be covered in this series; its annual purchases from printers total nearly $1.7 billion.

Total Establishments: 417,183
Employees: 7,221,955 (Fourth-largest industry in U.S. by employee base)
Total Annual Payroll: $159,061,465,000

Total Expenditures on Health Care

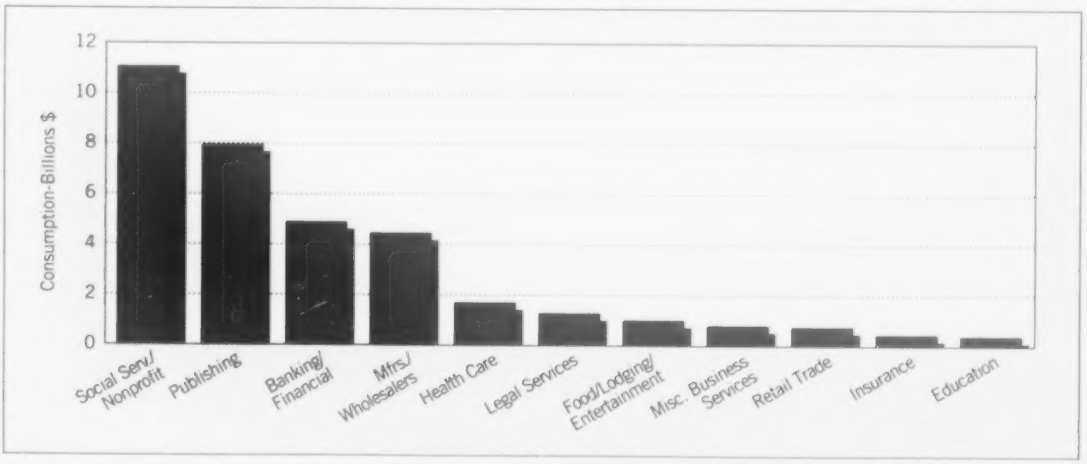
Health care is measured by the Department of Commerce not in terms of gross revenues and profitability but in terms of total expenditures: the question is not, as in other industries, how much money it is making but how much money it is costing. Commerce projects health care expenditures will rise 12%-15% per year from now to 1995, faster than GNP growth, and higher than most other economic sectors.

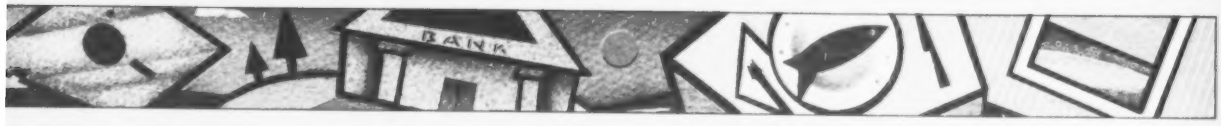




Ranking of the Print Target Markets

Industries to be covered in the Print Target Markets series in 1992 were selected from a DRI/McGraw-Hill listing of the largest purchasers of goods and services from commercial printers. This list was further refined by the editors, primarily by the elimination of industries that are not logical targets for small to medium-size commercial printers. The resulting list represents more than a third of all business- to-business printing sales.

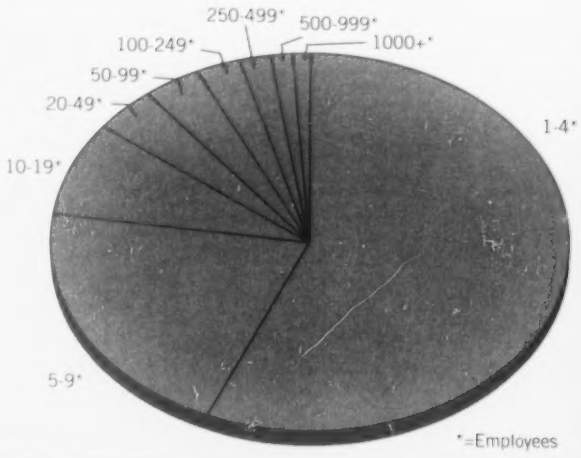




Health Care Establishments by Employee Size

Of the more than 400,000 establishments in Standard Industrial Classification Group 80—Health Services—91% have fewer than 20 employees; 58%, in fact, have fewer than five employees. In terms of total industry employment, however, 46% of health care workers are employed in establishments with 250 or more employees; more than two million, or 28%, work in facilities with 1,000 or more employees.

1-4 Employees	244,072	58.5%
5-9 Employees	99,939	23.9%
10-19 Employees	38,659	9.3%
20-49 Employees	15,833	3.8%
50-99 Employees	9,499	2.3%
100-249 Employees	7,365	1.8%
250-499 Employees	1,723	0.41%
500-999 Employees	1,020	0.24%
1000+ Employees	1,073	0.25%



Industry Structure

Health care facilities are divided into two general categories: offices and clinics, and institutions. The Department of Commerce maintains separate listings for the following practitioners: medical doctors, dentists, osteopathic physicians, chiropractors, optometrists, podiatrists, as well as two miscellaneous categories, "other health practitioners" and "health practitioners, not elsewhere classified." We are not entirely clear what the difference is, but we note that there are 55,000 establishments of "other" practitioners and almost 12,000 for the "otherwise unclassified" group. Offices and clinics have a tendency to be on the small side, whereas hospitals and nursing homes, of course, can run the gamut from small to quite large, but tend toward the latter. Institutions proportionately consume somewhat more printing than offices and clinics, which typically purchase the same printing products as any small business (stationery, short-run forms, etc.)

Category	Number of Establishments
Offices and Clinics	
Medical Doctors	191,971
Dentists	102,241
Osteopaths	7,164
Chiropractors	20,056
Optometrists	15,291
Podiatrists	7,487
Other Health Practitioners	66,821

Category	Number of Establishments
Institutions	
Nursing & Personal Care Facilities	18,002
Hospitals	5,221
Medical and Dental Labs	14,309
Home Health Care Services	7,462
Other Health and Allied Services	14,886

Regional Distribution

Region	Physicians	Rate*	Hospitals	Rate**
New England	33,142	262	370	603
Middle Atlantic	97,753	249	763	623
East North Central	74,290	178	1,046	557
West North Central	29,779	170	897	684
South Atlantic	77,494	193	1,073	553
East South Central	22,493	149	570	619
West South Central	41,354	156	993	547
Mountain	21,513	168	478	441
Pacific	77,616	222	834	412

* Per 100,000 resident population.
** Hospital beds per 100,000 resident population.
Source: Department of Commerce, Bureau of the Census.

Key to Regions

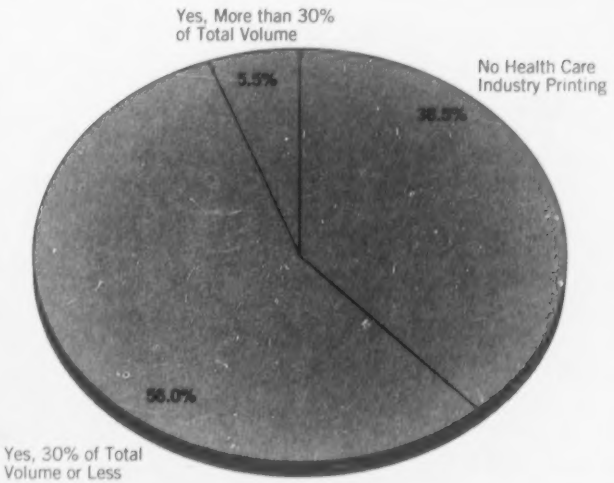
The nine geographic regions, as referred to throughout this survey:

New England (NE): Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont. **Mid-Atlantic (MA):** New Jersey, New York, Pennsylvania. **South Atlantic (SA):** Delaware, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, Washington, D.C., West Virginia. **East South Central (ESC):** Alabama, Mississippi, Kentucky, Tennessee. **East North Central (ENC):** Illinois, Indiana, Michigan, Ohio, Wisconsin. **West North Central (WNC):** Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota. **West South Central (WSC):** Arkansas, Louisiana, Oklahoma, Texas. **Mountain (M):** Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming. **Pacific (P):** Alaska, California, Hawaii, Oregon, Washington.

Does Your Firm Work for this Industry?

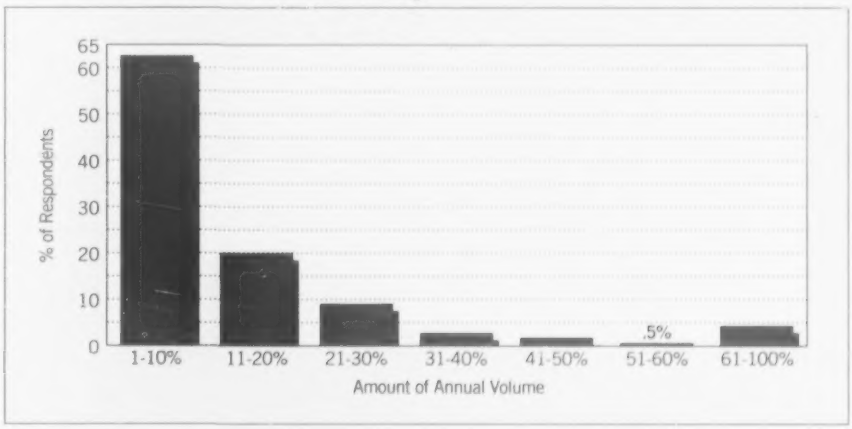
To measure the breadth of health care's impact on commercial printing, small and medium-sized commercial printers across the country were surveyed; their responses were the basis of the statistics used here. Printers surveyed were selected on a random (every nth name) basis from the current circulation list of *Graphic Arts Monthly*. More than 60% of printers responding to the survey reported doing at least some work for the health-care industry.

This was expected. Health care, like other service industries (restaurants, hotels, etc.) is widely distributed across the United States, unsurprisingly. Wherever they are and whatever they do, people need to eat, they need places to stay, and—at least once in a while—they need to go to the doctor and sometimes to the hospital.

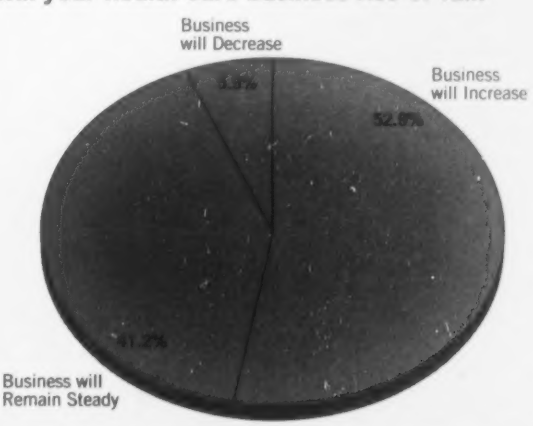


If So, How Much of Your Annual Volume is Health Care Printing?

For most respondents, printing for the health care industry represents a relatively small portion of total annual sales: over 80% of responding printers derive less than 20% of their business from it. This is typical of small commercial printers, who tend to have a diverse customer base of relatively small accounts. About 10% of respondents, however, seem to be consciously targeting this industry.



Will your health care business rise or fall?

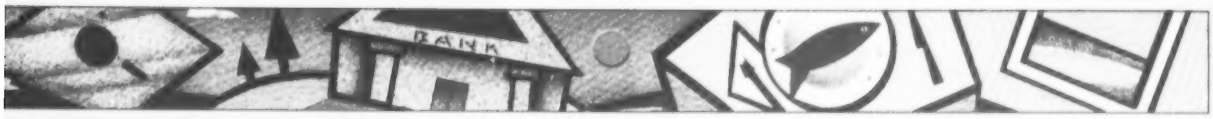


Printer-Supplied Products for Health Care

The health care industry apparently consumes more or less the same types of printing as any other business. This is an industry where personal contact counts; thus, stationery/business cards rank number-one.

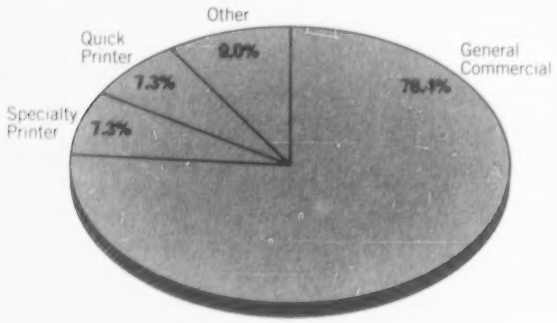
It is interesting to note how much business forms printing is done by small commercial firms; this is work that does not appear in industry statistics for business forms printing as a category.

Stationery and Business Cards	77.1%
Business Forms	74.0%
Advertising Sheets, Pamphlets or Brochures	60.9%
Unbound Non-Advertising Material	34.9%
Miscellaneous Non-Printing Services	25.0%
Bound Publications	16.1%



Regional Update/ South Atlantic

Type of Company

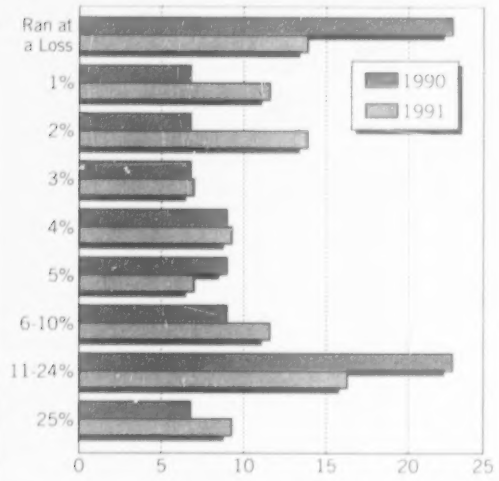


Profile of Respondents

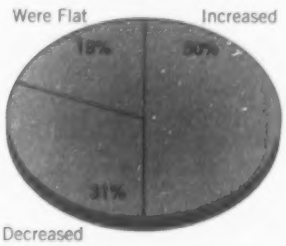
Commercial printers in the South Atlantic region responding to a recent mail survey reported year-over-year changes in their annual sales, and also their profitability. They also revealed how they perceived the outlook for business in their area. 1991 gross sales were estimated.

Gross Sales in 1991		# of Employees	
Less than $500,000	70.6%	1-4	50.0%
$500,000-749,000	11.8%	5-9	38.5%
$750,000-999,000	3.9%	10-19	11.5%
$1 million-2,499,999	11.8%		
$2,500,000-4,999,999	1.9%		

Profit as a Percent of Gross Sales, 1990



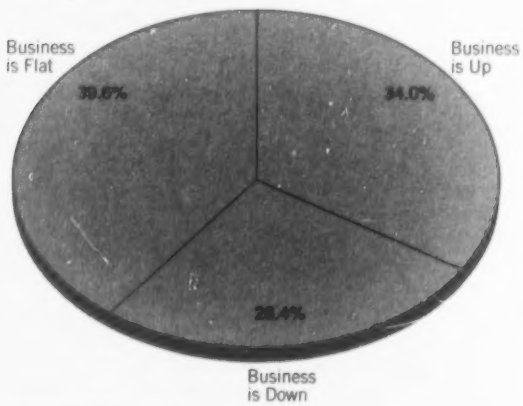
How Sales Changed, 1990 to 1991



1989 to 1990	
Sales Increased	66.7%
Sales Decreased	21.4%
Sales Were Flat	11.9%

If Sales Increased 1990-1991, How Large Was Increase?		If Sales Decreased 1990-1991, How Large Was Decrease?	
Less than 5%	13.0%	Less than 5%	0%
5-10%	43.5%	5-10%	42.8%
11-20%	17.4%	11-20%	35.7%
21-50%	21.7%	21-50%	21.4%
More than 50%	4.3%	More than 50%	0%

Perception Index



Comments by Printers

- Service is the key to success, and is going to be more important now with mass marketing of printing by office supply warehouses, etc.
- Business is growing as the South is growing.
- We are seeing more computer/desktop publishing forms, newsletters, etc.
- Only very necessary printing is being ordered. Print buyers are very price-conscious this year.
- The war buildup hurt business; we're recovering, but at a slow pace.
- Business is saturated in this area, with overall growth slow to nil. Those who do well will be service-oriented.
- We rely on tourism a lot, so the region has its ups and downs.